

TOWNSHIP OF RILEY
St. Clair County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Riley	County St. Clair
Fiscal Year End March 31, 2008	Opinion Date August 19, 2008	Date Audit Report Submitted to State August 22, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

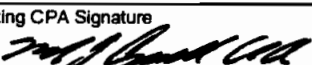
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE 2 Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

TOWNSHIP OF RILEY
St. Clair County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

August 19, 2008

To the Township Board
Township of Riley
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Riley, St. Clair County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Riley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Riley, St. Clair County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Riley covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$540,542.05 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$619,022.28 from governmental activities. Governmental activities had a \$34,835.90 increase in net assets.

Taxable value increased by \$6,536,143.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Ordinance #29 Fund, the Building Permit Fund, the Waste Disposal Fund, the Building Fund, and the Current Tax Collection Fund.

TOWNSHIP OF RILEY
St. Clair County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	427 480	459 221
Capital Assets	<u>433 226</u>	<u>421 321</u>
Total Assets	<u>860 706</u>	<u>880 542</u>
Current Liabilities	-	-
Non-current Liabilities	<u>355 000</u>	<u>340 000</u>
Total Liabilities	<u>355 000</u>	<u>340 000</u>
Net Assets:		
Invested in Capital Assets	78 226	81 321
Unrestricted	<u>427 480</u>	<u>459 221</u>
Total Net Assets	<u>505 706</u>	<u>540 542</u>

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	314 880	296 625
General Revenues:		
Property Taxes	81 249	86 405
State Revenue Sharing	212 048	213 739
Interest	16 440	20 193
Miscellaneous	<u>5 834</u>	<u>2 060</u>
Total Revenues	<u>630 451</u>	<u>619 022</u>
Program Expenses:		
Legislative	3 017	3 454
General Government	236 158	217 867
Public Safety	103 818	98 997
Public Works	209 425	236 138
Recreation and Culture	14 183	11 035
Interest on Long-Term Debt	<u>17 463</u>	<u>16 695</u>
Total Expenses	<u>584 064</u>	<u>584 186</u>
Increase in Net Assets	46 387	34 836
Net Assets, April 1	<u>459 319</u>	<u>505 706</u>
Net Assets, March 31	<u>505 706</u>	<u>540 542</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Building Permit Fund, the Waste Disposal Fund, and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

We continue to pay our general long-term debt. The Township issued bonds in the amount of \$400,000.00 on July 1, 2002, for the purpose of paying part of the cost to acquire, renovate, furnish, and equip a building and land to serve as the new Township offices.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$35,640.37 and fire protection which incurred expenses of \$69,210.56.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$15,000.00 of principal on the general obligation limited tax bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents a significant portion of our income. We continue to grow at a steady rate in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at (810)392-3585 or the Township Treasurer at (810)392-2326.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	432 943 25
Taxes receivable	<u>26 277 54</u>
Total Current Assets	<u>459 220 79</u>
NON-CURRENT ASSETS:	
Capital Assets	495 661 91
Less: Accumulated Depreciation	<u>(74 340 65)</u>
Total Non-current Assets	<u>421 321 26</u>
TOTAL ASSETS	<u><u>880 542 05</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>340 000 00</u>
Total Non-current Liabilities	<u>340 000 00</u>
Total Liabilities	<u>340 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	81 321 26
Unrestricted	<u>459 220 79</u>
Total Net Assets	<u>540 542 05</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>880 542 05</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 454 16	-	(3 454 16)
General government	217 866 87	37 646 41	(180 220 46)
Public safety	98 996 94	43 097 70	(55 899 24)
Public works	236 137 78	202 561 88	(33 575 90)
Culture and recreation	11 035 63	13 319 49	2 283 86
Interest on long-term debt	16 695 00	-	(16 695 00)
Total Governmental Activities	<u>584 186 38</u>	<u>296 625 48</u>	<u>(287 560 90)</u>
General Revenues:			
Property taxes			86 404 56
State revenue sharing			213 739 44
Interest			20 192 53
Miscellaneous			<u>2 060 27</u>
Total General Revenues			<u>322 396 80</u>
Change in net assets			34 835 90
Net assets, beginning of year			<u>505 706 15</u>
Net Assets, End of Year			<u>540 542 05</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Waste Disposal</u>	<u>Other Funds (Building)</u>
<u>Assets</u>			
Cash in bank	263 568 45	136 428 88	22 360 21
Taxes receivable	9 494 55	16 782 99	-
Due from other funds	<u>6 380 34</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>279 443 34</u></u>	<u><u>153 211 87</u></u>	<u><u>22 360 21</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>279 443 34</u>	<u>153 211 87</u>	<u>22 360 21</u>
Total fund equity	<u><u>279 443 34</u></u>	<u><u>153 211 87</u></u>	<u><u>22 360 21</u></u>
Total Liabilities and Fund Equity	<u><u>279 443 34</u></u>	<u><u>153 211 87</u></u>	<u><u>22 360 21</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Building Permit)</u>	<u>Total</u>
4 205 37	426 562 91
-	26 277 54
-	6 380 34
<u>4 205 37</u>	<u>459 220 79</u>
-	-
-	-
<u>4 205 37</u>	<u>459 220 79</u>
<u>4 205 37</u>	<u>459 220 79</u>
<u>4 205 37</u>	<u>459 220 79</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	459 220 79
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	495 661 91
Accumulated depreciation	(74 340 65)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(340 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>540 542 05</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Waste Disposal</u>	<u>Other Funds (Building)</u>
Revenues:			
Property taxes	86 404 56	-	-
Licenses and permits	6 242 00	-	-
State revenue sharing	213 739 44	-	-
Charges for services	74 390 10	-	-
Interest	16 346 64	2 599 57	927 07
Special assessments	-	196 319 88	-
Miscellaneous	2 060 27	-	-
Total revenues	<u>399 183 01</u>	<u>198 919 45</u>	<u>927 07</u>
Expenditures:			
Legislative:			
Township Board	3 454 16	-	-
General government:			
Supervisor	15 144 84	-	-
Elections	1 888 94	-	-
Assessor	23 917 93	-	-
Clerk	18 510 44	-	-
Board of Review	2 008 29	-	-
Treasurer	24 772 23	-	-
Building and grounds	7 776 47	-	-
Unallocated	114 977 73	-	-
Public safety:			
Fire protection	69 210 56	-	-
Protective inspection	-	-	-
Planning and zoning	4 983 49	-	-
Public works:			
Highways and streets	35 640 37	-	-
Street lights	3 571 75	-	-
Drains	4 457 51	-	-
Sanitation	-	192 468 15	-
Culture and recreation:			
Parks and recreation	8 000 50	-	-
Debt service	31 695 00	-	-
Total expenditures	<u>370 010 21</u>	<u>192 468 15</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	29 172 80	6 451 30	927 07
Fund balances, April 1	<u>250 270 54</u>	<u>146 760 57</u>	<u>21 433 14</u>
Fund Balances, March 31	<u><u>279 443 34</u></u>	<u><u>153 211 87</u></u>	<u><u>22 360 21</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Building Permit)</u>	<u>Total</u>
-	86 404 56
19 673 50	25 915 50
-	213 739 44
-	74 390 10
319 25	20 192 53
-	196 319 88
-	<u>2 060 27</u>
<u>19 992 75</u>	<u>619 022 28</u>
-	3 454 16
-	15 144 84
-	1 888 94
-	23 917 93
-	18 510 44
-	2 008 29
-	24 772 23
-	7 776 47
-	114 977 73
-	69 210 56
24 802 89	24 802 89
-	4 983 49
-	35 640 37
-	3 571 75
-	4 457 51
-	192 468 15
-	8 000 50
-	<u>31 695 00</u>
<u>24 802 89</u>	<u>587 281 25</u>
(4 810 14)	31 741 03
<u>9 015 51</u>	<u>427 479 76</u>
<u>4 205 37</u>	<u>459 220 79</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 31 741 03

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(11 905 13)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>15 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>34 835 90</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Riley, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Riley. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for specific construction projects of the Township.

Fiduciary Funds

The Current Tax Collection and Ordinance Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .7242 mills, and the taxable value was \$119,603,696.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Furniture and equipment	7-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>47 560 23</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	49 618 99
Uninsured and Uncollateralized	-
Total Deposits	<u>49 618 99</u>

The Township had the following investments at March 31, 2008:

Nonrisk-categorized financial institution pooled funds	<u>417 383 02</u>
Total	<u>417 383 02</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	190 309 91	-	-	190 309 91
Buildings	274 973 00	-	-	274 973 00
Equipment	30 379 00	-	-	30 379 00
Total	495 661 91	-	-	495 661 91
Accumulated Depreciation	(62 435 52)	(11 905 13)	-	(74 340 65)
Net Capital Assets	<u>433 226 39</u>	<u>(11 905 13)</u>	<u>-</u>	<u>421 321 26</u>

Note 5 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	Total Budget	Total Expenditures	Excess Expenditures
Waste Disposal Fund:			
Sanitation	190 700 00	192 468 15	1 768 15

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Bonds Payable	<u>355 000 00</u>	<u>-</u>	<u>15 000 00</u>	<u>340 000 00</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – 2002 General Obligation Limited Tax Bonds Payable

On July 1, 2002, the Township of Riley issued bonds in the amount of \$400,000.00 for the purpose of paying part of the cost to acquire, renovate, furnish and equip a building and site to serve as new Township offices. The Township has pledged its limited tax full faith and credit for the prompt payment of the bonds. The bonds bear interest at rates that vary from 4.2% to 6.2% per annum, payable semi-annually. The principal balance outstanding as of March 31, 2008, was \$340,000.00.

<u>Principal Due Date</u>	<u>Interest Amount</u>	<u>Rate</u>
4-1-09	20 000 00	4.20
4-1-10	20 000 00	4.20
4-1-11	20 000 00	4.20
4-1-12	20 000 00	4.25
4-1-13	25 000 00	4.35
4-1-14	25 000 00	4.50
4-1-15	25 000 00	4.60
4-1-16	25 000 00	4.70
4-1-17	30 000 00	4.80
4-1-18	30 000 00	4.90
4-1-19	30 000 00	5.00
4-1-20	30 000 00	5.10
4-1-21	<u>40 000 00</u>	5.20
Total	<u><u>340 000 00</u></u>	

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	9 80	Ordinance	9 80
General	<u>6 370 54</u>	Current Tax Collection	<u>6 370 54</u>
Total	<u><u>6 380 34</u></u>	Total	<u><u>6 380 34</u></u>

Note 9 – Deferred Compensation Plan

The Township of Riley offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. Security Benefit is an agent of the Township of Riley for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Riley's financial statements. Each person elects the amount to be withheld from their pay. Withholdings range from 3.75% to 100% of gross wages. The Township contributes 3.75% of each person's gross wages. During the year ended March 31, 2008, the Township's contribution was \$5,712.77.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 10 – Retirement Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes twenty-four percent of each participating employee's wages to the plan. During the year ended March 31, 2008, the Township's retirement contribution was \$19,337.55.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$19,673.50 and building permit expenses of \$24,802.89.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	88 750 00	88 750 00	86 404 56	(2 345 44)
Licenses and permits	3 000 00	3 000 00	6 242 00	3 242 00
State revenue sharing	205 000 00	205 000 00	213 739 44	8 739 44
Charges for services	33 000 00	33 000 00	74 390 10	41 390 10
Interest	14 000 00	14 000 00	16 346 64	2 346 64
Miscellaneous	38 150 00	38 150 00	2 060 27	(36 089 73)
Total revenues	381 900 00	381 900 00	399 183 01	17 283 01
Expenditures:				
Legislative:				
Township Board	4 200 00	4 216 16	3 454 16	(762 00)
General government:				
Supervisor	15 550 00	15 550 00	15 144 84	(405 16)
Elections	1 000 00	2 003 27	1 888 94	(114 33)
Assessor	26 500 00	26 518 17	23 917 93	(2 600 24)
Clerk	19 017 00	19 017 00	18 510 44	(506 56)
Board of Review	2 300 00	2 446 04	2 008 29	(437 75)
Treasurer	26 817 00	27 279 96	24 772 23	(2 507 73)
Building and grounds	10 000 00	10 000 00	7 776 47	(2 223 53)
Unallocated	132 900 00	130 000 82	114 977 73	(15 023 09)
Public safety:				
Fire protection	66 061 56	69 210 56	69 210 56	-
Planning and zoning	7 300 00	7 300 00	4 983 49	(2 316 51)
Public works:				
Highways and streets	45 000 00	45 000 00	35 640 37	(9 359 63)
Street lights	3 800 00	3 800 00	3 571 75	(228 25)
Drains	1 500 00	4 457 51	4 457 51	-
Culture and recreation:				
Parks and recreation	10 000 00	8 295 07	8 000 50	(294 57)
Capital outlay	2 000 00	2 000 00	-	(2 000 00)
Debt service	31 832 50	31 832 50	31 695 00	(137 50)
Total expenditures	405 778 06	408 927 06	370 010 21	(38 916 85)
Excess (deficiency) of revenues over expenditures	(23 878 06)	(27 027 06)	29 172 80	56 199 86
Fund balance, April 1	173 124 09	173 124 09	250 270 54	77 146 45
Fund Balance, March 31	149 246 03	146 097 03	279 443 34	133 346 31

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – WASTE DISPOSAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	2 000 00	2 000 00	2 599 57	599 57
Special assessments	<u>190 800 00</u>	<u>190 800 00</u>	<u>196 319 88</u>	<u>5 519 88</u>
Total revenues	<u>192 800 00</u>	<u>192 800 00</u>	<u>198 919 45</u>	<u>6 119 45</u>
Expenditures:				
Public works:				
Sanitation	<u>190 700 00</u>	<u>190 700 00</u>	<u>192 468 15</u>	<u>1 768 15</u>
Total expenditures	<u>190 700 00</u>	<u>190 700 00</u>	<u>192 468 15</u>	<u>1 768 15</u>
Excess of revenues over expenditures	2 100 00	2 100 00	6 451 30	4 351 30
Fund balance, April 1	<u>131 339 10</u>	<u>131 339 10</u>	<u>146 760 57</u>	<u>15 421 47</u>
Fund Balance, March 31	<u><u>133 439 10</u></u>	<u><u>133 439 10</u></u>	<u><u>153 211 87</u></u>	<u><u>19 772 77</u></u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>19 149 36</u>	<u>3 158 779 55</u>	<u>3 171 558 37</u>	<u>6 370 54</u>
<u>Liabilities</u>				
Due to other funds	4 739 39	301 144 85	299 513 70	6 370 54
Due to others	<u>14 409 97</u>	<u>2 857 634 70</u>	<u>2 872 044 67</u>	<u>-</u>
Total Liabilities	<u>19 149 36</u>	<u>3 158 779 55</u>	<u>3 171 558 37</u>	<u>6 370 54</u>
<u>ORDINANCE FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>43 805 79</u>	<u>14 014 26</u>	<u>25 810 25</u>	<u>32 009 80</u>
<u>Liabilities</u>				
Due to other funds	66 93	514 26	571 39	9 80
Due to others	<u>43 738 86</u>	<u>13 500 00</u>	<u>25 238 86</u>	<u>32 000 00</u>
Total Liabilities	<u>43 805 79</u>	<u>14 014 26</u>	<u>25 810 25</u>	<u>32 009 80</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>62 955 15</u>	<u>3 172 793 81</u>	<u>3 197 368 62</u>	<u>38 380 34</u>
<u>Liabilities</u>				
Due to other funds	4 806 32	301 659 11	300 085 09	6 380 34
Due to others	<u>58 148 83</u>	<u>2 871 134 70</u>	<u>2 897 283 53</u>	<u>32 000 00</u>
Total Liabilities	<u>62 955 15</u>	<u>3 172 793 81</u>	<u>3 197 368 62</u>	<u>38 380 34</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>19 149 36</u>
Cash receipts:	
Property taxes	3 155 997 21
Interest	<u>2 782 34</u>
Total cash receipts	<u>3 158 779 55</u>
Total beginning balance and cash receipts	<u>3 177 928 91</u>
Cash disbursements:	
Armada Area Schools	150 003 90
Capac Public Schools	211 968 91
Macomb ISD	48 106 73
Memphis Community Schools	419 087 29
Yale Area Schools	12 953 27
St. Clair County	2 019 289 06
Township General Fund	119 338 89
Township Waste Disposal Fund	180 174 81
Refunds	<u>10 635 51</u>
Total cash disbursements	<u>3 171 558 37</u>
Cash in Bank – End of Year	<u><u>6 370 54</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 19, 2008

To the Township Board
Township of Riley
St. Clair County, Michigan

We have audited the financial statements of the Township of Riley for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Riley in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Riley
St. Clair County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants